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October 12, 2007

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington D.C. 20551

RE: Proposed Changes to Regulation Z, Docket R-1286

Dear Ms. Johnson:

CEFCU appreciates the opportunity to comment on the Federal Reserve Board's proposal to change the requirements for open-ended lending under Regulation Z. CEFCU is a state chartered, federally insured credit union serving over 230,000 members with approximately \$3.3 billion in assets.

We support the primary focus of the Regulation Z review which relates to improving the transparency of credit card disclosures to consumers. CEFCU believes that we all benefit when consumer decisions are based on fair and uniform disclosures. Unfortunately, we believe that the current proposal by the Federal Reserve Board to strengthen Regulation Z disclosures for consumers goes well beyond those measures essential to ensuring the principal objective of improving credit card disclosures. Specifically, the proposal now includes proposed changes related to multi-featured, open-end credit. Credit unions have been offering open-end lending in this fashion for over 25 years without consumer complaints. Any benefits to consumers of the proposed changes related to multi-featured open-end credit are vague, while the negative implications are significant to CEFCU and the nearly 3,500 other credit unions that have made affordable credit convenient to consumers by utilizing open-end lending.

CEFCU currently serves members residing in 14 central Illinois counties, of which nine of those counties are predominantly rural in nature. For such members living in rural areas, without the benefit of multiple branch locations, or members who now live outside central Illinois, the utilization of a multi-featured, open-ended lending process has eased the burden of repeatedly visiting a branch location for an in person loan closing. Such plans, frequently referred to as "umbrella agreements" are the legal document used for all consumer lending excluding loans secured by real estate. Once established, members can access consumer credit under the plan for as long as both parties continue the mutual relationship. We currently encourage members to visit a branch location for loan closings, however, the flexibility afforded by such an "umbrella agreement" provides CEFCU and our members with the ability to meet consumer needs.

The current Regulation Z and Commentary clearly permits this type of lending. Regulation Z, in its current form, provides credit union members and other consumers with a simplified lending process that can make access to credit less cumbersome, while still maintaining an environment of full disclosure. Frequent and ongoing disclosures are already required for such open-end plans. Regulation Z requires

that members with open-end loans must receive periodic statements, at least quarterly, which contains the APR, finance charges imposed during the statement period and other important disclosures. There is no such requirement that statements must be provided to closed-end borrowers.

The proposed regulations would impact CEFCU's ability to efficiently serve all of our members. While the Board's reasoning for the proposed changes are reasonably presented in the Regulation Z comments, it appears as if little thought was given to the potential harm changes would have in limiting the convenient access to affordable credit by consumers who currently utilize such multi-featured, open-ended lending plans. There is certainly an absence of any data or information which would suggest how a CEFCU member, or any credit union member, might reasonably benefit from the elimination or significant limitation of this current lending practice. Unfortunately, it seems evident that many consumers would lose the current convenience benefit they enjoy by being able to access subsequent advances over the phone, without the necessity of an in person loan closing.


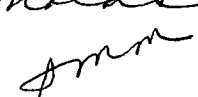
The specific changes would eliminate the opportunity to maintain such multi-featured, open-ended lending practices, currently in place, in underwriting new credit requests. The ability to sustain such current plans would become impractical. The requirements would thus dictate extensive restructuring to the consumer lending practices of credit unions, CEFCU included. By nearly all estimates, the cost to modify current lending practices necessary to comply with the proposed regulation would be in excess of \$100,000 for every credit union. Expenses related to data processing changes, revised loan forms, new internal processes and associated staff training would result in additional costs being passed on to borrowers.

The upcoming Federal Reserve review of all the Truth-in-Lending Regulations causes the added concern of CEFCU and other credit unions being "whipsawed" by being compelled to move to closed-end lending with the proposed open-end regulations and then having to change once again when revised closed-end regulations are subsequently completed. This is particularly troubling since the majority of multi-featured, open-end plans are currently offered by credit unions and they would almost entirely bear the double cost of complying with both revisions.

Other alternatives can and should be considered if the intent is to simply standardize consumer disclosures across all lending methods. One alternative, which has been proposed, is to simply require additional "Fed Box" type disclosures every time the consumer requests a non-replenishing advance under a multi-featured, open-end lending plan. Proposals, such as this, would preserve the current consumer benefits while ensuring uniform disclosure requirements. We would urge the consideration of such alternatives to the current proposed change.

CEFCU greatly appreciates the opportunity to comment on the Board's proposed changes to Regulation Z. Thank you for your thoughtful consideration.

Sincerely,


Keith Reynolds
Vice President


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